

2002 SCDP
Owner Occupied Housing Rehabilitation Program
City of Mankato
Guidelines & Policies

SECTION A

PROGRAM OBJECTIVES

The Mankato Housing Rehabilitation Program is undertaken for the purposes of:

1. Providing financial assistance for homeowners to rehabilitate their dwellings and to meet the City of Mankato's housing rehabilitation needs.
2. Increasing the financial involvement of public agencies and private lending institutions in the improvement of the housing stock in the neighborhood to the benefit of low and moderate income households.
3. Making a visible and substantial impact upon housing conditions, community appearance, and overall quality of life in the area.

SECTION B

PROGRAM DEFINITIONS

B.1 — Administrator.

"Administrator" of the Program shall be the Community Development Division of the City of Mankato. It shall be the responsibility of the Administrator to coordinate all aspects of the Program.

B.2 — Annual Income.

"Annual Income" means the applicant's anticipated total income, from all sources, received by all members of the household (even if temporarily absent), including all income derived from assets (excluding income that is temporary, nonrecurring or sporadic) for the 12 month period following the application for housing repair assistance. Annual Income is further defined in Section I.

B.3 — Applicant.

"Applicant" means any household seeking to obtain assistance under the terms of this Program. Married couples shall be considered an applicant in the singular. In the absence of a written rental agreement dated three months prior to the filing of an application, unrelated persons sharing the dwelling as their principal place of residence shall be considered an applicant in the singular.

B.4 — Financing: Deferred Loans.

A "Deferred Loan" is financing which carries no interest and no periodic payments, but which is secured by a Repayment Agreement and lien against the property. A Deferred Loan must be repaid in full in the event the property which is rehabilitated is sold, transferred, conveyed, or

ceases to be the applicant's principal place of residence within ten (10) years from the date of the Repayment Agreement. Under extraordinary circumstances, the terms and conditions of repayment of a Deferred Loan may be modified, or restructured.

B.6 — Financing: Security Position.

The Mankato Housing Rehabilitation Program will not require a first-position security interest for Deferred Loan and/or Repayable Loan financing. Upon request from a bank or other lender, the Program may subordinate its security interest to another party, at the discretion of the City.

B.7 — Dependent.

"Dependent" means a member of the household (excluding foster children) other than the household head or spouse, who is under 18 years of age or is a disabled person or is a full-time student.

B.8 — Rehabilitation Advisor.

The "Rehabilitation Advisor" for the Program shall be a designated employee of the Administrators. It shall be the responsibility of the Rehabilitation Advisor to provide technical expertise relating to all housing inspections, construction quality, code compliance, and work write-ups.

B.9 — Net Household Assets.

"Net Household Assets" means the value of assets, which are defined in Section J.

B.10 — Principal Place of Residence.

"Principal Place of Residence" means the house, which the applicant occupies as their home for at least nine months of the calendar year and in which the applicant resides at the time of application for assistance.

B.11 — Section 8 Guidelines.

"Section 8 Guidelines" means the set of income guidelines calculated by household size, as determined by the United States Department of Housing & Urban Development and in effect for Blue Earth County, Minnesota.

B.12 — Rehabilitation.

Rehabilitation is not remodeling. Remodeling is for convenience or cosmetic purposes. Rehabilitation deals with, in order of priority:

1. Storm Damage and Preventive Improvements
2. Health issues and safety improvements
3. Energy conservation
4. Code Compliance improvements
5. Long-term preservation of structures, through the repair of such basic housing quality components as siding, roofs, and painting

Certain types of rehabilitation can be viewed as lack-of-maintenance or deferred-maintenance. Other types of rehabilitation can be viewed as items, which wear out or need replacement due to obsolescence.

B.13 — Rehabilitation Standards.

The "Housing Rehabilitation Building Standards" used for the Mankato Housing Rehabilitation Program shall be followed in conducting inspections, determining deficiencies, and evaluating the quality of workmanship on a rehabilitation project. These Standards incorporate Section 8 Housing Quality Standards, and the BOCA Property Maintenance Code as outlined in the Department of Trade & Economic Development's "Step-by-Step Guide to Rehabilitation Inspection." The Uniform Federal Accessibility Standards, ADA Accessibility Guidelines, and Minnesota Energy Efficiency Standards shall also be used as appropriate to a rehabilitation project.

SECTION C

GENERAL ELIGIBILITY FOR ASSISTANCE

C.1 — Eligibility Qualifications.

To be eligible for housing rehabilitation assistance provided by any of the participating Financing Sources, the applicant must meet the eligibility qualifications set forth by the particular Financing Source for their specific program. Participation in the Program is limited to those Applicants which are determined to qualify as "low and moderate income" under definitions established by the U.S. Department of Housing & Urban Development. (Also see Section L.15.) All persons assisted by housing rehabilitation must meet the Small Cities Development Grant program's federal objective of "benefit to low and moderate income persons."

C.2 — Status & Location of Applicant.

To be eligible for housing rehabilitation:

1. The applicant must be owner/occupant of a single-family house used for residential purposes and meet the income requirements outlined in Section I and the ownership requirements of Section K.1.
2. The house must be the applicant's principal place of residence, as defined in Section B.10.
3. The house must be located within the Small Cities Development Program target area limits of the City of Mankato.

C.3 — Floodplain.

1. The Administrator shall determine the location of each applicant's house in relation to any floodplains as identified by a Flood Insurance Rate Map (FIRM) and, should a building be located in such a floodplain, take such actions as are required by Small Cities Development Program regulations. The Target Area has been determined to be outside of any designated Flood Plain.

C.4 --- Historical Society Review

1. All properties that were built before 1950 will be reviewed by the Minnesota Historical Society to determine if the structure is historically significant before any rehabilitation occurs.
2. After the initial property inspection has been completed by the Housing Rehabilitation Advisor, the following will be submitted to the Minnesota Historical Society Officer (SHPO).
 - a. A summary of the work to be done at the property;
 - b. Photographs of the structure;
 - c. Property description;
 - d. Any other information requested by the SHPO.
3. Any changes in the scope of the project requested by the SHPO will be initiated.

SECTION D

FAIR HOUSING & EQUAL OPPORTUNITY

It is the policy of this Housing Rehabilitation Program to work affirmatively to ensure that all persons, regardless of race, color, creed, national origin, sex, religion, marital status, age, handicap, or reliance on public assistance, will be treated fairly and equally in their participation in the Program.

The City will be responsible for the promotion of the Program at the local level and shall exercise care in avoiding promotion methods that may exclude potentially eligible applicants. Access to program information and materials will not be denied to any person for any reason including race, color, creed, national origin, sex, religion, marital status, age, handicap, or reliance on public assistance. Affirmative promotion shall include efforts to reach those persons who traditionally may not have participated in similar programs.

In order to develop or maintain an effective affirmative promotion effort, the City shall review its promotion methods from time to time during the course of the Program to determine how the methods used can be improved to increase the participation of persons who otherwise might not apply for assistance under the Program, such as single female heads of households, racial minorities, or persons with handicaps or disabilities.

The City shall encourage participation by women-and minority-business enterprise (W/MBE) parties in the Housing Rehabilitation Program. W/MBE contractors, materials suppliers, vendors, and others engaged in rehabilitated enterprises shall be encouraged to seek inclusion on the Bidders' List of the rehab program. (See Section M.9)

SECTION E

DATA PRIVACY

Information on program applicants (including, but not limited to, names, credit reports, financial statements, income calculations and asset information) is private data on individuals which must be administered in accordance with the Minnesota Government Data Practices Act. Applicants shall be provided with proper written notice as specified under the Act. Solely for the purpose of administering the Program, information may be made available to the staffs of the following agencies or organizations: the Mankato EDA, the Community Development Division of the City of Mankato, the

Minnesota Housing Finance Agency, the Minnesota Valley Action Council, the Mankato City Council and Rehabilitation Committee, banks and lending institutions participating as Financing Sources, the Minnesota Department of Trade & Economic Development, and the United States Department of Housing & Urban Development.

If the applicant does not sign the appropriate releases, the application for rehabilitation assistance may be denied.

SECTION F

CONFLICT OF INTEREST

Federal regulations (24 CFR 570.611) and Minnesota Statutes 471.87-471.88 specify that elected officials, employees of Small Cities Development Program grant recipients, and others who are in a position to participate in the decision-making process of the Program may not:

1. Obtain personal or financial interest or benefits, including money, favors, gratuities, entertainment or anything of value that might be interpreted as conflict of interest.
2. Obtain a direct or indirect interest in any contract, subcontract, or agreement for any activity. This prohibition extends to contracts for themselves or with those with whom they have family or business ties during their tenure or for one year thereafter.

Questions concerning conflict of interest shall be resolved by a written legal opinion from the City Attorney who shall, if necessary, seek further assistance from the Minnesota Attorney General's Office. Small Cities Development Program staff shall be contacted if such a situation arises.

SECTION G

EVIDENCE OF MISCONDUCT

Any party participating in the Program shall refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of the Program to the Minnesota Attorney General's Office for appropriate investigation and legal action.

SECTION H

PARTICIPATING FINANCING SOURCES

Each Financing Source (Small Cities Development Grant, the City of Mankato, banks, other lenders, Minnesota Housing Finance Agency, etc.) shall provide its rehabilitation assistance according to its own rules, regulations, requirements, and procedures. This shall apply to applicant eligibility, the type of repairs which can be made, and loan repayment requirements. Each Financing Source shall maintain its own fiscal systems. No funds from one Financing Source shall be co-mingled with funds from any other Financing Source. Where needed or desired, the services of the Rehabilitation Advisor shall be made available to the other Financing Sources.

SECTION I

INCOME OF APPLICANTS

In addition to the definitions contained in federal regulations, and for the purpose of establishing eligibility for housing rehab assistance under the Small Cities Development Program, Annual Income shall include but not be limited to:

- I.1 The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
- I.2 The annual income from operation of a business or profession. (Annual income from self-employment shall be determined as the average net profit from the previous two **(three)** years of self-employment as declared by the Applicant in Schedule C, F, E, or other forms, of the U.S. Internal Revenue Service Form 1040.
- I.3 Interest, dividends, and other income of any kind from real or personal property.
- I.4 Where the household has assets in excess of \$5,000, Annual Income shall include the greater of:
 - The actual income derived from all assets, or,
 - A percentage of the value of such assets based on the current passbook savings rate.
- I.5 The full amount of periodic payments received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum payment for the delayed start of a periodic payment.
- I.6 Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay.
- I.7 Welfare assistance.
- I.8 Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling.
- I.9 Pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the household, spouse, or other person whose dependents are residing in the unit.

Annual Income does not include the following:

- I.10 Temporary, non-recurring or sporadic income such as the following:
 - Casual, sporadic, or irregular gifts.
 - Amounts that are specifically for or are reimbursement of the cost of medical expenses.
 - Lump-sum additions to household assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), and settlement for personal or property losses.
 - Educational scholarships paid directly to the student or to the educational institution, and amounts paid by the Government to a veteran, for use in meeting the costs of tuition, fees,

books, and equipment. Any amounts of such scholarships, or payments to veterans, not used for the above purposes that are available for subsistence are to be included in income.

- The hazardous duty pay to a household member in the Armed Forces away from home and exposed to hostile fire.

- I.11 Income from employment of children (including foster children) under the age of 18 years.
- I.12 Payments received for the care of foster children.
- I.13 Benefits such as Section 8 housing vouchers or other public housing assistance.
- I.14 Income limits applicable for participants in the owner occupied housing rehabilitation program are adjusted periodically upon HUD notification. Please refer to the current published income limits.

SECTION J

ASSETS OF APPLICANTS

There is no asset ceiling for participation in the SCDP housing rehabilitation program. However, under the provisions of Section I.4, a portion of Household Assets in excess of \$5,000 shall be counted as Annual Income. For the purposes of housing rehabilitation assistance under the Small Cities Development Program, assets may include but not be limited to the value of equity in real property, savings, stocks, bonds, and other forms of capital investment. More specifically:

- J.1 Cash on hand, in checking accounts, savings accounts, or money market accounts (including accounts held in trust).
- J.2 The cash value of securities, stocks, shares in investment funds, U.S. Savings Bonds, or other investment instruments.
- J.3 The current market value of all interests in real estate, EXCLUDING the structure which is to be rehabilitated and a parcel of land of not more than five acres upon which the structure is located. (Included as an asset is land in which any Resident of the household holds title and is selling on a Contract for Deed. The value of Contract for Deed property shall be defined as 100% of the outstanding principal balance on the contract.) Principal and interest payments received on a Contract for Deed shall be counted as Annual Income.
- J.4 All other miscellaneous property assets, but EXCLUDING household furnishings, clothing, and one automobile. (Included as miscellaneous property assets are such items as, but not limited to: golf carts, boats, snowmobiles, motorcycles, business machinery, business inventory, farm stock, and additional vehicles. Such miscellaneous assets shall not be counted to the extent that they are an expense of doing business [see Section I.2, above].)

SECTION K

ELIGIBLE PROPERTIES TO BE REHABILITATED

K.1 — Type of Ownership.

An owner/occupant applicant for housing rehabilitation must possess at least a one-third interest in one of the following types of ownership in the property to be rehabilitated:

- A fee title, or
- A life estate, residual interests, or
- A fee title or life estate subject to a mortgage or other lien securing a debt, or,
- A mutually binding, recorded contract for deed, where the borrower is rightfully in possession and the purchase price is payable in installments. In the event that a contract for deed arrangement is present, the City Attorney shall be consulted to determine: (a) if the contract vendee's participation in the housing rehab program is compatible with the terms of the contract for deed, (b) if permission from the contract vendor is needed before undertaking rehab, and (c) if the contract vendor needs to be a party to the rehab mortgage/repayment agreement.

K.2 — Suitable for Rehabilitation.

1. A determination of the structural suitability of a house for rehabilitation may be made by the Rehabilitation Advisor, based on the "Mankato Housing Rehabilitation Building Standards." Poor- and Very Poor-condition structures (described below) shall be considered to be substandard, based upon the following criteria and individual inspections by the Building Inspector:
 - Poor Condition: No major structural defects. However, the structure has more than one sign of major exterior deterioration.
 - Very Poor Condition: Structure has either: (A) No more than one structural defect and more than one sign of major exterior deterioration; or, (B) More than one structural defect.
2. Poor- and Very Poor-condition buildings may be suitable for rehabilitation when:
 - The building is still structurally sound on an overall basis. The building should be vertically plumb within three degrees and shall have no significant rot on the majority of the floor joists, studs, or rafters that are weight-bearing. Foundations and basement walls shall not be deteriorated to the extent, or so far out of alignment, that they do not adequately support the building and cannot be corrected without complete replacement.
 - The benchmark amount of funding for rehabilitation is the average for rehabilitation projects established in the Small Cities Development Program (SCDP) grant application. For any one project, the use of SCDP funds shall not exceed the amount specified in Section L.1. If the total cost of a project exceeds that amount, the additional funds must come from other sources, including from the property owner.

3. The total cost of the rehabilitation shall not exceed fifty percent (50%) of the unit's estimate market value as determined by the County Assessor. Two exceptions to this rule are as follows:
 1. When a home, in addition to the customary rehabilitation expenditures, also includes necessary accessibility improvements for the handicapped.
 2. When it is determined that a home involves improvements over and above normal improvements that are necessary to correct a serious health and/ or safety condition(s)
4. In no case shall the cost of rehabilitation exceed 100% of the Estimated Market Value (EMV) as determined by the County Assessor, nor shall the rehabilitation cost, when added to the outstanding loan to value, be more than 100% of the EMV as determined by the County Assessor.

K.3 — Not Suitable for Rehabilitation.

1. Some houses may be in good condition and will not need rehabilitation assistance. Although an Applicant may be otherwise eligible for assistance, the Program will not assist any houses that are not in need of significant repairs. Following a detailed inspection of the house, the Rehabilitation Advisor shall make a determination of the structural suitability of a house for rehabilitation, on the basis of provisions noted in Section K.2, above. The Rehabilitation Advisor shall have authority to determine whether a house is not in need of repair. If a house is determined to be in structurally good condition, it shall be excluded from participation in the Program, based upon the following criteria:
 - Good Condition: Structure is less than 10 years old, or there are no indications of exterior deterioration, or energy efficiency measures were incorporated in the original construction.
 - Fair Condition: Structure displays some exterior deterioration, but of minimal severity. Energy efficiency improvements may be required to comply with standards. Shall only be considered as budgets may allow and only after substantial progress has been made toward meeting higher-priority improvements for "poor" quality buildings.
2. Some houses may have deteriorated to a point where rehabilitation is structurally not feasible. Following a detailed inspection of the structure by the Rehabilitation Advisor as described above, the Advisor shall have authority to determine whether a house is not feasible for repair. If a house is determined to be structurally "beyond hope" of repair, it shall be excluded from participation in the Program, based upon the following criteria:
 - Beyond Repair Condition: Structure has more than one structural defect and indications of extensive major exterior deterioration.

K.4 — Mobile Homes.

Mobile homes shall not be eligible for rehabilitation with SCDP funds. Exceptions to this rule may be granted by the City Council only under extraordinary or emergency circumstances. In the event of such an exception, the mobile home must be permanently affixed to real property by means of a

foundation or pier footings, and the real property must meet the ownership requirements specified in Section K.1.

K.5 — Property Tax Delinquency.

No house shall receive rehab assistance if property taxes are delinquent and unpaid. Applicants may apply for the program and have their eligibility determined, but no rehabilitation work shall be placed under contract unless property taxes are paid in full as of the most recent tax period.

K.6 — Default, Bankruptcy, Judgments.

No house shall receive assistance if: (1) the owner is in default of a mortgage, contract for deed, or comparable obligation; (2) the owner is currently engaged in bankruptcy proceedings; or (3) there are unpaid or pending court judgments filed against the property or the owner.

K.7 — Mixed-Use Buildings.

A mixed-use building that is partially utilized for commercial purposes and partially utilized for residential purposes may be assisted by the Housing Rehabilitation Program. However, only those improvements that benefit the residential portion of the building can be paid for with housing rehabilitation Program funds. Improvements that benefit the commercial portion of a mixed-use building must be paid for with other funds. In the event a mixed-use building is proposed for rehabilitation, the Administrator shall seek such additional guidance as may be necessary from the Minnesota Department of Trade & Economic Development.

K.8 — Vacant Buildings.

Vacant houses shall not be eligible for rehabilitation with SCDP funds under any circumstance.

K.9 — Other Ineligible Buildings.

Only permanent structures shall be assisted. The following are not eligible for assistance:

- Temporary or movable structures.
- Satellite buildings used primarily for storage.
- Detached garages.
- Other structures which do not meet the test of a principal place of residence.

K.10 — Priority of Applicants Receiving Rehabilitation Assistance.

1. Applications for housing rehabilitation shall be accepted at any time during the lifetime of the program, or until that point where all available funds are committed to rehabilitation projects. Applicants who qualify for housing rehabilitation assistance shall be processed and inspected on a "first-come, first-served" basis.
2. Several factors may affect the order or sequence by which Applicants may receive rehabilitation assistance. Furthermore, assistance may become unavailable for certain Applicants who may be unserved by the Program. Applicants shall be notified that the availability of rehab assistance depends upon:

- A detailed inspection of the house.
- The types of repairs which are needed and allowable under the program's guidelines.
- The cost of the repairs, based on bids.
- The financial and structural feasibility of undertaking a repair job for the house.
- The Applicant's own initiative and diligence. In this regard, the document by which the Applicant shall be given the opportunity to accept or reject their offer for rehabilitation assistance (see Section M.5) shall contain the following acknowledgment:

"I understand that: (a) the grant program serves applicants on a first-come first-served basis, (b) once the bid documents for my building are prepared and turned over to me, it becomes my responsibility to contact contractors and obtain the necessary bids, (c) projects which have all the necessary bids turned in ahead of other projects are placed under contract sooner and move forward on that basis, and (d) because the program operates on a first-come first served basis, it is possible that the grant money may run out before all my bids are received and before I make a decision to move forward and that, in that case, I will not receive any rehabilitation assistance."

SECTION L

SCOPE AND NATURE OF REHABILITATION REPAIRS

L.1 — Maximum Financing.

The maximum amount of Small Cities Development Program funds which shall be invested in any house is \$25,000. The maximum amount of funds available to any particular household may be less than \$25,000 based on the Deferred Loan Maximums required in Section L 2. The Applicant will be fully responsible for securing additional financing or the scope of the project will be reduced, consistent with Sections L.4 and L.6, below. Projects requiring in excess of the Deferred Loan maximums in SCDP funds shall require authorization from the City Council for any amount in excess of the required maximum.

L.2 — Levels & Mix of Small Cities Development Program (SCDP) Financing.

1. Leverage Requirement: Based on the availability of funds and the eligibility of the applicant and the property, Deferred Loans will be offered on the following schedule:

Gross Income % of Maximum Section 8 Income Limits	% Homeowner Match	% Deferred Loan	Deferred Loan Maximum Amount
60% & Under	0%	100%	\$25,000
61% - 100%	20%	80%	\$20,000

2. Leverage Sources: Leverage funds shall be any funds used to provide for rehabilitation activities performed at an eligible applicant's dwelling unit other than the funds provided by the Small Cities Development Program. Leverage sources will be determined by income, homeowner debt and debt carrying capacity, homeowner credit worthiness and property

eligibility. Leverage will be based on household income and funding source limitations. Staff works to assist clients in obtaining the best leverage source available. If unable to obtain leverage, the leverage requirement may be waived.

3. Mankato RLF Leverage Fund: The City of Mankato will provide funds from the "Neighborhood Improvement Fund" for the purpose of assisting applicants who are required to provide a 20% match. These funds will be provided in two (2) forms: Deferred Loans and Low Interest Loans

Mankato RLF Deferred Loans: Applicants required to provide up to 20% of the project costs will be eligible for a no interest Deferred Loan which shall be repayable in full if the dwelling is sold, transferred, or ceases to become the homeowners principal residence, within twenty (20) years of completion of the rehabilitation. At the end of the tenth year, the Deferred Loan shall be repaid in 120 equal monthly payments (10 years).

Mankato RLF Low Interest Loans: Applicants required to provide in excess of 20% of the projects cost shall be eligible for a low interest loan with a term of 10 years at 3% with the first payment due sixty (60) days following completion of the rehabilitation project. An applicant shall be eligible for this loan only upon demonstration that the private lenders have declined an MHFA Home Improvement Loan or an MHFA Revolving Loan.

L.3 --- Leverage Sources and Types

1. Deferred Loans and Grants. These will be provided by the following programs and sources: the Mankato RLF, Minnesota Housing Finance Agency's Deferred Loan Program (DLP) and Revolving Loan Program (RLP), D.O.E. Weatherization, Energy Assistance Repair Program Grant/Loan, and where applicable, client contributions.
2. Subsidized and Unsubsidized Loans. These loans will be provided by the following programs and sources: the Mankato RLF Minnesota Housing Finance Agency's Home Loan Program (HLP), Revolving Loan Program (RLP), Local Bank Loans, and where applicable, client contributions.
3. Cases where the applicant can go to another agency for rehabilitation loan or grant funds, the EDA staff will supply specifications and bidding documents or any other documentation required by the funding source. The EDA staff will also coordinate contractor activities and payments with the other agency.
4. When an applicant does secure funds from a lending institution, the EDA staff will provide specifications, bidding documents, warranties or any other documentation required by the lending institution before loan closing. However, before any proceed to work is sent to a contractor, the loan proceeds must be placed in an escrow account established by the homeowner and require the lending institution's authorization before any funds can be dispersed or a check payable to the homeowner and contractor for the loan amount shall be delivered to the project director for disbursement when payment is due. This will be triggered by a completion certificate signed by the homeowner, contractor and the grant administrator's representative.

5. In some cases, homeowners may wish to use liquid assets for leverage funds. When this occurs, homeowners will be required to place the funds in an escrow account before any proceed to work is sent to a contractor. These funds deposited in an escrow account and can be released only by the project administrator and the homeowner only after the homeowner has signed a completion certificate.
6. Homeowner labor on rehabilitation will be considered an acceptable means of completing improvements in a timely manner, provided the homeowner can demonstrate an ability to complete the work to the satisfaction of the RA. All homeowner labor shall be outlined in a work program agreement specifying completion expectations prior to project approval. The applicant shall also agree to close monitoring by the RA.
7. Loan proceeds will be held in escrow accounts from all sources, except where prohibited by other lending sources, until the improvement has been completed to the satisfaction of the applicant and the Rehabilitation Advisor. The escrow will be held in a special account labeled as "leverage funds" and cannot be released until the applicant has signed a completion certificate indicating that they are releasing the funds to the contractor.

L.4 — Final Condition.

Upon completion of work and final inspection, all houses assisted under the Program shall meet or exceed the adopted Housing Rehabilitation Standards. Those repairs that are financed under the Program shall meet State of Minnesota plumbing, electrical, energy conservation, and other codes. All houses shall also meet or exceed local housing rehabilitation standards established by the City of Mankato's "Housing Rehabilitation Building Standards."

L.5 — Eligible Housing Rehabilitation Improvements.

1. Each housing rehabilitation improvement must be a permanent general improvement. Such improvements shall include alteration, renovation, or repairs which correct defects and deficiencies which directly affect the safety, habitability, energy consumption, or aesthetics of the property. Improvements must be economically feasible and must be consistent with the provisions of the City's "Housing Rehabilitation Building Standards."
2. Any housing rehabilitation improvements that are made must be physically attached to the structure and must be permanent in nature. For the purposes of housing rehab assistance under the Small Cities Development Program, the following types of improvements are considered eligible:
 - Any improvement required to bring the dwelling up to the standards noted in Section L.4, especially improvements which relate to storm damage and prevention and, health and safety concerns. Storm Damage and Prevention includes: sump pump installation, tiling and floor repairs, waterproofing, grading and landscaping (for drainage purposes only), and basement window replacement.
 - Any improvement resulting in a substantial weatherization and increased energy-efficiency of the house.
 - Exterior painting and/or residing, as needed.

- Improvements that are essential in making the house more accessible and habitable for handicapped members of the household. Handicaps must be documented as permanent and affecting major life functions as defined by government regulations.
- Structural improvements to and the necessary replacement of roofs, floors, exterior walls, interior walls, stairs, sidewalks, foundations, and other basic housing features.
- Functional improvements to and the necessary replacement of electrical systems, plumbing fixtures, heating units, etc.

L.6 — Priority of Eligible Housing Rehabilitation Improvements.

Storm Damage and Prevention, Health and safety deficiencies plus repairs necessary for improved energy-efficiency have priority and must be corrected before any other improvements are made. If the scope of the project must be reduced to comply with cost limits specified in Section L.1, these priority repairs shall not be omitted; in such cases, the Rehabilitation Advisor shall work with the homeowner to reduce the project by omitting repairs which are of lesser importance to the long-term needs of the structure.

L.7 — Ineligible Housing Rehabilitation Improvements.

The following improvements are not eligible for financing with SCDP funds:

- Detached garages, garage door openers, or any out-buildings (unless there is evidence of the danger of lead-based paint as described in Section L.8).
- Fireplaces, central air conditioning units, water softeners, or wood stoves.
- Decks, patios, fencing, or landscaping beyond that which is necessary in connection with foundation and basement work.
- Driveways and sidewalks, unless health and safety dangers are present.
- Kitchen appliances, plush carpeting, decorative work, or other improvements determined by the Rehabilitation Advisor to be "luxuries" or "frills" in nature.
- 200 amp services, unless needed and justifiable.
- Room additions. Exceptions to this rule may be granted by the Administrator only under extraordinary circumstances and with the approval of the SCDP grant staff at the Minnesota Department of Trade & Economic Development. Where such an exemption is granted, room additions shall only be allowed: (1) to accommodate the installation of a bathroom, or (2) where severe overcrowding is present.
- SCDP funds shall not be used for the payment, in whole or in part, of assessments for public improvements; EXCEPTING, however that such funds may be used for that portion of improvements located on the property which will bring an individual water supply system or sewage disposal system into compliance with local, state, or federal sanitary standards.

L.8 — Ineligible Improvements Allowable with Other Funds.

The Applicant may use bank loans, his/her own funds on hand, and other funds in order to finance those improvements which are not eligible for financing with SCDP funds. Such improvements shall be allowable as part of the "other source" participation outlined in Sections L.2 and L.3 and shall be separately identified on work write-ups and bid forms.

L.9 — Lead-Base Paint

1. All applicants for the Mankato Housing Rehabilitation Program shall receive a notification of the hazards of lead-based paint.

2. The use of lead-based paint in any aspect or portion of the construction process covered by this program, or by any separate contracts or agreements entered into by the Owner and the Contractor, is expressly prohibited. All contracts for rehabilitation work shall contain language incorporating this prohibition.
3. Every inspection of a house shall include an inspection for defective paint surfaces. All defective paint conditions shall be identified on the inspection report form and corrected in accordance with methods that ensure the safety of the residents and the contractor.
4. Lead-based paint abatement shall, where necessary, be in accordance with Minnesota Statutes 4761.0300. Additional guidance in lead-based paint abatement shall be found in the Department of Trade & Economic Development's "Step-by-Step Guide to Rehabilitation Inspection," and the "Procedures relating to the Elimination of Leads Based Paint Hazards."

SECTION M

PROGRAM ADMINISTRATION

The following administrative procedures shall govern operation of the Housing Rehabilitation Program, unless otherwise provided for by the procedures of another participating Financing Source.

M.1 — Implementation Responsibilities.

1. As regards the Administrator, the Administrator shall:

- Coordinate all rehabilitation work delivered through the various Financing Sources.
- Collect and process applications and approve applicants as being eligible for rehabilitation assistance.
- Obtain clearance from the Minnesota Historical Society regarding historic preservation requirements before rehabilitation work begins.
- Review all applications for consistency with these policies and approve or deny individual projects. All applications shall be reviewed and approved by the Rehabilitation Review Committee, consisting of individuals appointed by the City Manager. An applicant may appeal any decision as provided for in Section P. The Administrator will use the following guide to access the preliminary eligibility of the applicants.
 - a. Whether or not the applicant is income eligible for a SCDP loan and what leverage package the applicants are eligible for.
 - b. What home equity is present, credit history, debt load capacity, and property ownership.
 - c. Location of the applicant's property in the Target Area
 - d. Property ownership.

The Administrator shall provide regular reports to the City Council on the program status, but Council approval of individual projects is not required, this function shall be fulfilled by the Rehabilitation Review Committee.

2. As in regards to Marketing, the Administrator shall:

Conduct outreach and will solicit applications for the program in the following ways:

- a. Notifying all applicants on the Mankato SCDP waiting list.
- b. Issue press releases advertising community meetings on SCDP grant application both to local newspapers and to the local broadcast media.
- c. Make direct mailing of program information to the homeowners in the target areas if necessary to generate additional applicants.
- d. Develop brochures and send them out in the billing statements of our local utility vendors.
- e. Develop posters and post them in prominent areas in the communities as well as distributing brochures at commodity distribution sites.

3. As regards the Mankato City Council:

- The City Council shall be responsible for setting overall program policy, including approval, amendment, and adoption of these Guidelines.
- All checks issued under the SCDP program shall be issued by the City.

M.2 — Applications.

Applicants shall complete the "Application for Rehabilitation Assistance." This form shall (where applicable) request information concerning income, assets, and property. The form shall further provide a "Notice to Applicant" informing the applicant of data privacy, misrepresentation, lead-based paint warnings, and inspection considerations.

Where applicable, Applicants shall sign an "Authorization for Release of Information" form, allowing the proper verification of information as specified in Section M.4.

The Administrator shall collect such supporting documentation as may be deemed necessary, including but not limited to income tax returns, paycheck stubs, bank deposit slips, property tax statements, and other materials relating to the financial status of the Applicant.

M.3 — Displacement.

The Administrator shall work with the Applicant to determine if the possibility exists of displacement from the dwelling. If the potential for displacement appears likely, the Administrator shall provide to the Applicant such written notices as are required. If displacement shall occur, the Administrator shall work with the Applicant to assure that the Applicant's displacement and relocation rights are protected.

M.4 — Verifications.

All information concerning income, assets, property, and other facts reported by the Applicant, or brought to the attention of the Administrator, which are relevant to their eligibility shall be independently verified. The Administrator shall, with written permission of the Applicant, obtain verifications from the appropriate sources and shall use the verified information to determine an applicant's eligibility for rehabilitation assistance.

Applications will be received on a first come, first served basis, starting from the waiting list, which will be prioritized from the date at which the interested submitted a complete pre-application. Project approval for funding will be based upon first come, first serve which will require the

homeowner to provide all necessary documentation to proceed with loan closing. This documentation shall include securing the necessary bid documents necessary for loan closing. Applicants will be selected for participation of the Small Cities Development Program based upon applicability to the program guidelines.

M.5 — Notification of Status & Right-of -Rescision Compliance.

1. The Administrator shall notify the Applicant in writing as to the approval or rejection of their application and, if approved, the maximum amount of assistance for which they qualify and the mix of assistance as outlined in Sections L.2 and L.3. The Applicant shall then be given the opportunity to accept or reject this offer before proceeding with an inspection.
2. The notification of status shall include a "Notice of Right of Rescission." This notice shall include an explanation of the Applicant's right to cancel the transaction, and information as to how the transaction may be canceled.

M.6 — Authorization for Initial Inspection.

Following the Applicant's written acceptance of the financing offer, the Rehabilitation Advisor shall conduct an initial inspection. This inspection shall be thorough, complete, and shall identify all rehabilitation needs of the house.

M.7 — Work Write-Up and Bid Specifications.

Following initial inspection, the Rehabilitation Advisor shall prepare a written work write-up for the house. This work write-up shall specify reasonable, workmanlike means by which rehabilitation needs are to be corrected and the structure brought up to the standards set forth in the City's "Housing Rehabilitation Building Standards;" shall suggest materials and methods for making necessary repairs and improvements; and shall be prepared in sufficient detail so as to allow contractors to base their bids upon. Drawings and sketches shall be provided where they will be necessary or helpful.

M.8 — Bidding and Contracting Procedures.

1. After receiving the Rehabilitation Advisor's work write-up, the Applicant shall solicit sealed bids from contractors. A minimum of two bids per trade shall be required; three bids shall be encouraged. All bids will be reviewed by the Rehabilitation Advisor to determine that the bids are comparable. In seeking the minimum of two bids, one general contract bid can be compared against the sum of individual bids by trade.
2. The Administrator shall provide to the Applicant a Bidders List of contractors. The Applicant will be requested to seek sealed bids from this list. No contracts will be awarded to contractors who are not on this Bidders List. The list will, however, be continually updated as more contractors come forward and qualify for the list. If the Applicant obtains bids from a contractor who is not currently on the Bidders List, the bid will be considered at such time as the contractor qualifies for the List.
3. Bids will be awarded to the lowest qualified bidder unless one of the following occurs:
 - The bid is found to be unrealistically low and the contractor agrees to withdraw the bid.

- The contractor has failed to follow the procedures outlined in instructions to the bidders.
 - The Applicant does not want the lowest bidder to do the work. In that case the Applicant must pay the difference between the lowest bid and the preferred contractor's bid.
 - There appears to have been collusion between two or more contractors and/or the Applicant. Collusion among contractors will result in their being barred from further participation in the Program. Collusion involving the Applicant will result in the rehab project being canceled and the Applicant being barred from the Program.
 - The contractor fails to bid according to specifications and, following efforts by the Rehabilitation Advisor, it is impossible to compare that contractor's bid with those of the other bidders.
4. Contracts may be made with general contractors or individually by trade. Contracts will be let by the Applicant and shall be a contract between the Applicant and the contractor.
 5. Any repair work which begins before a written Proceed to Work Order is issued will not be paid for by funds from any Financing Source, unless the other funding source authorizes such payment. However, the project may be ineligible for SCDP assistance.
 6. Projects not under contract within eight months after the date when bids are delivered to the Applicant shall be dropped from the program. An offer of financing made to the Applicant shall be null and void after the expiration of this eight-month period.

M.9 — Qualification for Bidders List.

1. Contractors must complete the "Contractor's Qualification Statement" and return it to the Administrator.
2. Contractors must be bona fide tradesmen. Contractors must meet State licensing requirements where such requirements apply, including residential building contractor and residential remodeler license requirements.
3. Contractors must possess insurance coverage which meets or exceeds these requirements:
 - Manufacturers and Contractor/Independent Contractors. Bodily Injury: \$300,000 (each occurrence) and \$300,000 aggregate. Property Damage: \$100,000 (each occurrence).
 - Auto (Owned, Hired, or Leased). Bodily Injury: \$100,000 (each occurrence) and \$300,000 aggregate. Property Damage: \$100,000 (each occurrence).
 - Worker's Compensation. The contractor shall obtain and maintain Worker's Compensation Insurance for all of his/her employees, according to State law and regulation.
4. In cases where any work is sublet, the Contractor shall also require the subcontractor's to comply with the insurance requirements set forth above.
5. Contractors may be removed from the Bidders List and disqualified from contracting under the following circumstances: Failure to keep the required insurance in force; Failure to complete work in a timely manner; Performance of substandard work; Failure to correct deficiencies in substandard work; or Collusion between two or more contractors and/or the Applicant.

M.10 — Change Orders.

Work which is not specified in the Work Write-Up will not be paid for by the Program without a written change order approved by the Administrator, the Rehabilitation Advisor, the contractor, and the Applicant. Change Orders which increase costs of a project beyond the maximum amount specified in Section L.1 shall be paid by the Applicant or by another Financing Source.

M.11 — Interim Inspections.

The Rehabilitation Advisor may conduct interim or progress inspections for each house assisted by the Program. The interim inspections shall be used: To monitor the work in progress and the quality of work being performed, and to determine the completeness and quality of repairs prior to any payments to contractors or subcontractors.

M.12 — Partial Payments to Contractors.

No interim or partial payments will be made without prior inspection by the Rehabilitation Advisor and approval by the Administrator. No partial payment or sum total of partial payments shall exceed 80% of the total contract amount. No pre-payment or advance of Program funds is allowed.

M.13 — Final Inspection and Acceptance of Work.

The Rehabilitation Advisor shall conduct a comprehensive and thorough final inspection of all repairs upon completion of all work. This final inspection shall be used to determine the completeness and quality of repairs prior to the final payment to contractors or subcontractors. Substandard or incomplete work identified by the Rehabilitation Advisor will not be paid for. Prior to payment, a "Completion Certificate and Acceptance of Work" form shall evidence satisfaction with the work and shall be signed by the Applicant, the contractor and/or subcontractor, the Rehabilitation Advisor and the Administrator.

M.14 — Payment and Lien Waivers.

SCDP funds shall be disbursed to the contractor upon approval and acceptance of the work as noted in Section M.12. Appropriate lien waivers must be provided by the contractor prior to the release of checks.

M.15 — Time for Completion.

A maximum of 90 calendar days will be allowed for completion of contracted work on a house, beginning as of the date of the contract for the repairs, or as of the date proposed by the contractor (when provided). Failure to begin work by the completion date shall be grounds for termination of the contract.

This time period shall not be exceeded except by a written Change Order, which shall outline the circumstances which require an extension of time and shall specify a revised completion date. In the absence of such a Change Order, failure to complete work on time shall be grounds for termination of the contract.

M.16 — Termination of Contract.

Rehabilitation contracts may be terminated for convenience or for cause. The provisions contained in Section M.15 shall be a basis for termination for cause. Other reasons for termination may include: unacceptable contractor work habits or performance, or an inability to resolve disputes associated with the project.

M.17 — Permits and Fees.

Payment of local building permit fees will be the responsibility of the Applicant/ Contractor. State inspection fees should be included in the contractor's bid.

M.18 — Appeals Procedure and Resolution of Disputes.

All Applicants and contractors shall have full right to appeal any decision or action relating to the administration of the Program. Such appeals shall be made in accordance with SECTION P.

In the event of a dispute, relating only to activities associated with the approved Scope of Work, between the Applicant and the contractor, the Rehabilitation Advisor shall work with both parties to negotiate a satisfactory solution. In the event that this procedure fails to produce a satisfactory solution, the dispute shall be presented to the Review Committee by the Community Development Specialist. In the event that the administrative finding of the Review Committee is unable to resolve the dispute, judicial arbitration procedures shall be followed by the complaining party which shall be at no cost to the city and in which the city will not be a party.

M.19 — Close-Out.

Upon completion of all rehab activities and acceptance of the work by all parties, the Administrator shall process such close-out documents as are required for the SCDP financing, including mortgage documents and/or repayment agreements.

SECTION N

OTHER PROGRAM PROVISIONS

N.1 — Refinancing and Work In Progress.

No funds from this Program shall be used to refinance existing indebtedness. No funds shall be used to pay for any repairs or improvements which may be in progress or may have begun prior to the Administrator issuing a written Proceed to Work Order.

N.2 — Applicant Labor.

An Applicant will be allowed to provide the labor for their own rehabilitation project and do the repair work on their own, provided that:

- A minimum of two sealed bids are obtained on the materials to be used.

- Donated labor reduces the total cost of a project. The value of donated labor will be subtracted from the cost of a project before the financing proportions outlined in Section L are calculated.
- The Rehabilitation Advisor agrees that the Applicant demonstrates sufficient skill and ability to perform the rehab work.
- The Applicant agrees to close monitoring of the work by the Rehabilitation Advisor.

N.3 — Fees to the Applicant.

Neither the Administrator nor the City of Mankato shall charge to the Applicant an origination fee, inspection fee, or fee of any kind, other than building permit fees noted in Section M.17.

N.4 — Contractor's Warranty.

1. The Contractor shall defend, indemnify, and hold harmless the Applicant, Administrator, Rehabilitation Advisor, the City of Mankato and its officers, and the officers of any other Financing Source from all liability and claims for damages arising from bodily injury, death, property damage, sickness, disease, or loss and expense resulting from or alleged to result from a Contractor's operations under this Program.
2. The Contractor shall warrant to the Applicant and subsequent owners of the property that:
 - All materials, hardware, fixtures, and utilities of whatever kind used in making repairs are of good quality and free from defects in workmanship or material.
 - The Contractor shall repair, correct, or replace at no cost to the Applicant or subsequent owners any defective workmanship or materials or deficiencies subject to warranty, upon written notice within two years from the date of completion and acceptance of work.

SECTION O

PROGRAM INCOME & REVOLVING LOAN FUND

O.1 --- Program Income

Program income may be generated from housing rehabilitation through the repayment agreements. The agreements will stipulate that if an applicant sells the dwelling within ten (10) years of receiving a rehabilitation deferred loan, he/she/they must repay all of the deferred amount.

Program income generated in this manner will be dedicated to a revolving loan fund set up by Mankato. Any SCDP funds received during the program years would be utilized immediately for rehabilitation activities and would only go to the City's revolving loan fund after program close-out. This account is used solely for assisting income eligible households with home improvements when there is a gap not covered by other funds. This recapture and reuse of funds are consistent with the rehabilitation activities approved as part of the 2002 SCDP application and will provide an on-going impact on housing conditions in Mankato.

O.2 --- Revolving Loan Fund

Pursuant to the terms of the City's SCDP application and Grant Agreement, a revolving rehabilitation loan fund shall be established. This fund shall collect any repayments of SCDP monies. Such repayments shall be used for additional housing rehabilitation work at such time as they have sufficiently accumulated following close-out of the original SCDP grant. The revolving loan funds will be held in a separate account and will be made available to Applicants in the City of Mankato which have a need for, and which qualify for, rehabilitation assistance. Use of the revolving funds will be consistent with these guidelines.

The Revolving Loan Fund shall give priority to those houses which were not previously assisted by the Program. The Revolving Loan Fund shall not be available for repeated use by an Applicant for making additional repairs to the same house. Any house assisted by the Small Cities Development Grant prior to its close-out shall not be eligible for assistance by the Revolving Loan Fund, unless specifically authorized by the City Council.

The Revolving Loan Fund will be accounted for by establishing a separate group of electronic journal and ledger accounts, including a cash account and a program income account. Procedures included in the financial management of the Revolving Loan Fund include: a recipient loan register account to record the name of the recipient (borrower), the amount of the loan, the date approved, the terms of the loan, payments, and current balances; assurances that all funds received shall be accurately classified and coded to the accounts to be credited; and, assurances that funds are immediately deposited into the proper bank account. Prior to close-out of the grant, the above tasks shall be the responsibility of the Administrator. After close-out the City may, at its own discretion, choose an institution to service the loans or it may service the loans itself.

SECTION P

COMPLAINTS AND APPEALS

P.1 --- Client Complaint Process

1. Initial client complaints about any aspect of: the EDA's service delivery; the EDA's staff; Program restrictions; or contractor relations/workmanship, may be pursued verbally or in writing to the City's Community Development Specialist and shall be responded to by either the Housing Rehabilitation Advisor who shall work with the staff, the contractor, and the client to resolve the problem within two (2) weeks. If the applicant is still dissatisfied, the client may further pursue the complaint as follows:
 - a. A complaint may be filed with the City Manager who shall provide a response within two weeks
 - b. If the Client is still dissatisfied they may be asked to be placed on the next regular agenda of the City Council for action at its next regularly scheduled meeting.
 - c. If the client is still unsatisfied, the complaint will be forwarded to the MN Department of Trade and Economic Development along with the following information:
 - 1) A copy of the written complaint and request for satisfaction under the appeals process.
 - 2) A copy of all correspondence between the Administrator and the appealing client concerning the appeal disposition.
 - 3) The final appeal disposition.

P.2 --- Project Appeal Process

1. If a household's application for any reason is denied or a household is dissatisfied with the level of assistance they have received, the following procedure is to allow for a standardized appeal/complaint process to all applicants of the Mankato 2002 Small Cities Development Program. Upon complaint, an applicant will be informed of the following procedure:
 - a. That a written procedure for appeal is available.
 - b. In the case of denial of assistance or service, a written notice shall be sent to the applicant clearly stating under what condition that application was denied and also a copy of this appeal process.
 - c. Initial client appeals about any aspect of service delivery expressed verbally or in writing shall be responded to within two (2) weeks. If the applicant is dissatisfied with the response then the client shall be informed of the following procedure.
 - d. All appeals should be addressed to:

Housing & Economic Development Coordinator
Community Development Division - City of Mankato
PO Box 3368
Mankato, Minnesota 56002-3368
Attention: SCDP Appeal

- e. The applicant who wishes to appeal the initial response, must submit a request for appeal in writing within thirty (30) days of the initial response. This request must state the reason(s) for the appeal and should include any information that the applicant feels is pertinent to the appeal.
- f. The applicant may appeal to the City Manager within fifteen (15) working days. At that time, the applicant will be notified that he/she has the right to appeal to the City Manager. The Manager will respond with a written decision within fifteen (15) working days.
- g. The applicant may appeal to the City Council within fifteen (15) working days following the Manager's decision. At that time, the applicant will be notified that he/she has the right to appeal before the City Council. The Mankato Council will respond with a written decision, *which shall be final*, within thirty (30) working days.
- h. Any further appeal actions will be forwarded to the MN Department of Trade and Economic Development, along with the following information:
 - 1) A copy of the written complaint and request for satisfaction under the appeals process.
 - 2) A copy of all correspondence between the Administrator and the appealing client concerning the appeal disposition.
 - 3) The final appeal disposition.

SECTION Q

AMENDMENTS / APPROVAL

Q.1 --- Amendments

These procedural guidelines may be amended or supplemented from time to time by the City of Mankato by issuance of revised pages to be effective on the date of issue subject to approval by DTED

Q.2 --- EDA Approval

Upon a motion made and seconded, the "Guidelines & Policies " for the Mankato 2002 SCDP Rehabilitation Program are hereby approved and adopted, subject to any changes recommended by the Minnesota Department of Trade & Economic Development in their capacity as funding agency for the Small Cities Development Grant Program.

Adopted by the City Council of the City of Mankato on the _____ day of _____, 2002.

Signed:

Witnessed:

Chairperson

City Manager